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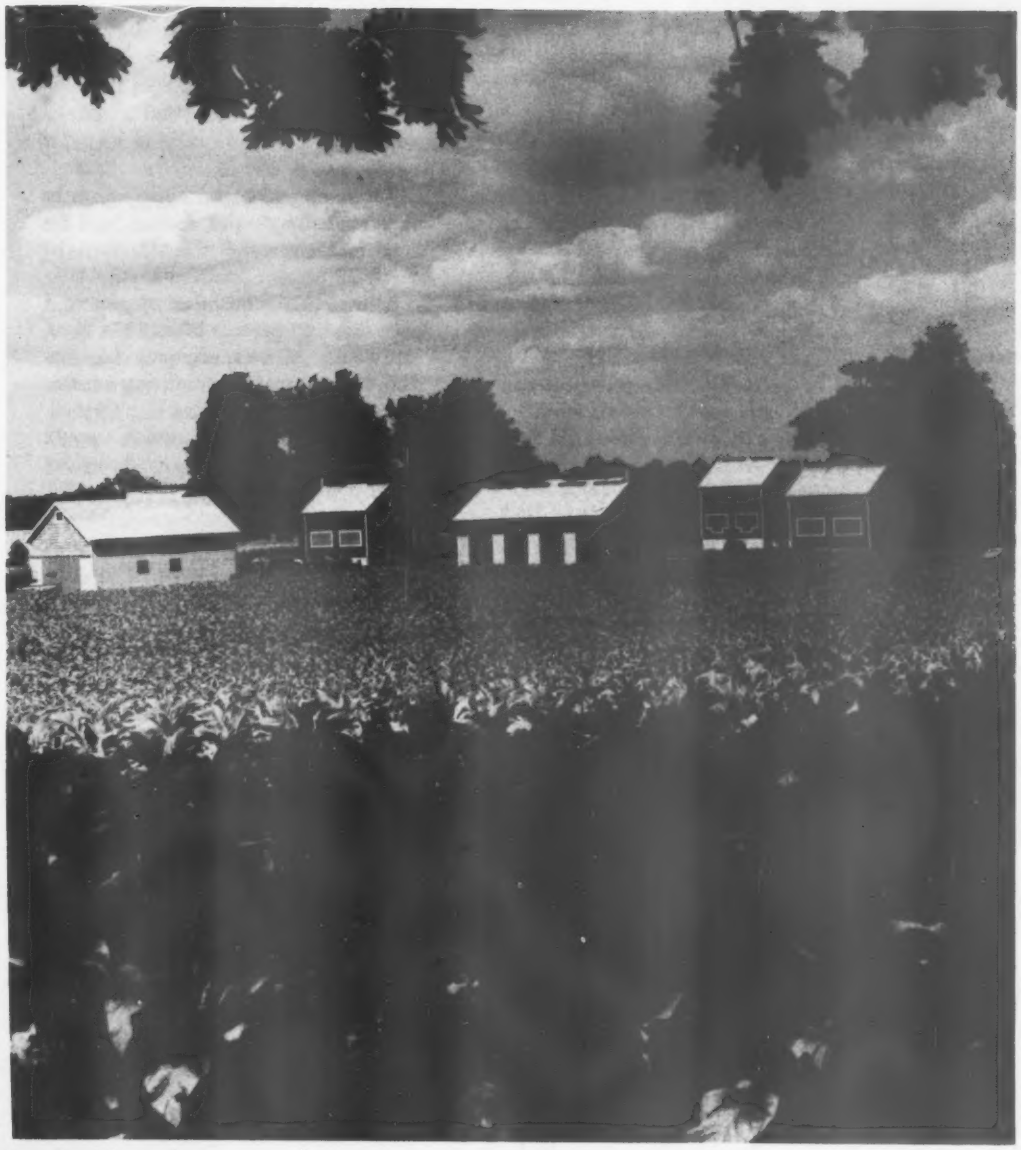

Canadian tobacco farm

- South Africa's Agriculture
- Mideastern Tallow Markets

November 22, 1976

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This week's cover:

Canadian tobacco ripening in the sun. In the background are curing sheds. Canada is one of the world's major tobacco producers, competing with the United States in some markets. See article beginning on page 12.

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New Role Seen for South African Agriculture

By LAWRENCE A. WITUCKI
Foreign Demand and Competition Division
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SOUTH AFRICA is faced with an economy-weakening foreign-exchange deficit, caused partly by the decline in the price of gold. Renewed investment in agricultural development and trade could play a large role in strengthening the economy.

In Pretoria, the Government has set annual real-growth targets of 5.9 percent for agricultural output and 5.6 percent for gross fixed investment in agriculture for the years 1974-79.

Faced with a significant reduction in national income, rising unemployment, and widening trade and balance-of-payments deficits, the Government is reviewing its major national priorities to adjust to the changing economic factors.

South Africa's gross domestic product (GDP) grew by a strong 7 percent during 1974, when the country's agricultural production and the price of gold both were at record highs. But in 1975 the price of gold began what was to be an extended period of decline, and the South African rand was devalued by nearly 23 percent as a result.

In mid-1976, the price of gold was only about 60 percent of its 1974 level, and South Africa's economy has not recorded any real economic growth this year. A 2 percent decline is projected. Renewed agricultural growth would strengthen the economy in the years ahead.

In addition to its gold earnings, which have figured significantly in making possible a high level of capital inflow, the South African economy prior to 1975 benefited from a thriving volume of trade and a steady inflow of investment funds.

However, social unrest and racial strife have increased the cost and reduced the availability of these inflows. Blacks have been the main victims of

Right: A grain elevator in South Africa's wheat producing region. Far right: Oranges, newly harvested in a South African grove, moving by conveyor into a processing plant. Below: Harvesting corn by combine in South Africa.

employment layoffs and the dwindling opportunities for advancement caused by the current economic recession.

An important employer of labor, South Africa's gold mining industry in 1975 had about 375,000 workers—about 90 percent of whom were blacks—on its payrolls. But in July 1976, 10 of the country's 45 gold mines were reported to be in financial trouble.

South Africa is not in an advantageous position to influence the world price of gold to any significant degree. While the two major world sources of gold—South Africa and the Soviet Union—produce about 80 percent of total supply and thus can hold a cartel together, they are not likely to collaborate on price matters.

South Africa produces about 75 percent of the free world's gold supply. The Soviets hold gold valued at about $15-$20 billion at July market prices.

Gold is by far the main source of foreign exchange for the USSR, and its gold sales to finance grain imports have influenced world gold prices markedly. Soviet gold sales were an important factor in the July declines in gold prices.

The projected 4-year gold sales of 25 million ounces by the International Monetary Fund—designed to benefit the developing countries—probably will have the effect of restraining speculation, which plays an important role in gold price determinations.

In 1974, price speculation was fed by expectations of continued world economic inflation and weakness of the U.S. dollar. This situation has changed, and current speculator interest apparently is more concerned with selling than buying. While commodity prices generally have been rising, gold prices have declined.

South Africa's external payments have been flowing at a much higher rate than its external receipts. During 1975, merchandise imports were valued at about $7.7 billion, compared with $4.2 billion for exports. And despite gold production valued at about $3 billion, the balance of payments dipped to a record deficit of nearly $2 billion. Also, a high rate of Government expenditures was an important factor in the 13.5 percent inflation rate of 1975.

The current situation makes the country's unrealized agricultural potential very costly. Past investment decisions apparently were based on the assumption that the high gold prices of 1974 would continue, and agricultural projects were not accorded high priorities in many large investment projects.

There is a growing belief in the country that expanded agricultural production is now desirable, and there is evidence that some investments are now being shifted toward the agricultural sector. The 1975 rand devaluation is expected to have a favorable effect on prices received for South Africa's agricultural exports.

In 1975 agricultural exports were valued at about 33 percent of total merchandise exports, although the agricultural sector contributes only 8-9 percent of the country's GDP—a proportion that has been declining slowly.

During 1970-75, net and gross agricultural exports expanded by an average 22 percent annually. However, much of this gain was a result of rising prices, as volume during 1969-74 rose only by an average 7.5 percent annually.

The value of South Africa's net gold production increased by 28 percent annually during 1969-74, but this output dropped slightly in 1975 while the value of agricultural exports jumped by 24 percent or to about half the value of net gold output.

Although 1976 had presented an opportunity for South Africa's farm exports to increase still more relative to gold, the short corn crop and resulting slump in corn exports and lower sugar export prices precluded such a development.

South Africa's agricultural export values vary considerably in relation to agricultural GDP. From a low of about 40 in 1971, this proportion jumped to 57 percent in 1972 and is estimated at about 64 percent for 1975. One reason is the sharp fluctuation in world agricultural prices. Another factor is variation in the volume of agricultural exports. For example, the volume of agricultural exports declined from 1966 through 1971.

DOMESTIC corn utilization is an important factor that will bear on future corn exports from South Africa. Corn accounted for about a fourth of the country's agricultural exports during 1975.

The relatively large corn exports are partly because South Africa's per capita corn consumption is only about 39 percent of the rate in the United States. In 1973, the United States consumed 90 percent of its corn crop as feed, while the rate in South Africa in recent years is estimated at slightly over 40 percent consumed as feed.

As might be expected from the lower level of feed use, per capita meat consumption in South Africa is about 38 percent that of the United States.

Between 1969/70 and 1974/75, corn consumption in South Africa increased annually at a slightly higher rate than population—2.8 percent, compared with 2.7 percent. The potential for increased corn consumption in South Africa is large.

Growth of agricultural production in South Africa has been slowing in recent years, despite the large increases in agricultural export earnings. Farm output rose by an average 4 percent annually during 1964-75. But since 1970, the growth rate has averaged only 1.7 percent annually.

While production of field crops increased substantially up to the 1970's and averaged a 6 percent gain annually during 1964-75, livestock production averaged only a 2.5 percent increase annually during this period.

Milk production has been declining since 1969/70, and output of red meat has been static since that year. Poultry and egg production has grown significantly, however, and during 1972/73-

1974/75 amounted to 25 percent of red meat output, compared with less than 8 percent during 1963/64-1965/66.

In 1970/71, poultry consumed 39 percent of the corn used in the livestock sector, and dairy cattle were next with 32 percent.

Sugar production has been a success story in South African agriculture, but has not increased as rapidly in recent years as was formerly the case. The rate of expansion of output averaged 1.6 percent annually during 1970/71-1975/76. On the other hand, consumption has been increasing by nearly 6 percent annually, and exports have been decreasing since 1972/73.

Sugar prices are controlled at relatively low levels, and per capita consumption is at a high level of 41.5 kilograms—about 88 percent of the U.S. consumption rate. Export earnings have been sufficient to finance the low domestic price policy.

If sugar exports are to continue at a high level, new investments will be required along with increased financial incentives to producers.

South Africa's GDP in agriculture jumped 15 percent a year—in current prices—during 1970-75, while gross fixed investment in agriculture gained by only 12.3 percent annually.

The percentage of gross domestic fixed investment in agriculture during 1968-74 declined steadily from 7.9 percent to only 5.24 percent. However, in 1975 the share increased to nearly 6 percent and agricultural investment in real terms rose by 18 percent.

One possible explanation for the apparent slighting of agriculture in arriving at investment decisions during recent years is that foreign-exchange earnings were expected to continue at a high level. Now that gold earnings are on the decline, agricultural investment may be given more consideration than in the past.

Also, agricultural growth and investment has been affected to some extent by public policies. The Government has restrained some domestic agricultural prices, including those for corn, wheat, and sugar. However, these price restraints have been offset to some extent by retroactive payments to farmers of export profits.

During 1969/70-1974/75, agricultural producer prices showed relatively high increases averaging 14.4 percent annually—higher than either the average 12.3 percent gain in food prices or the 10.9 percent average yearly increase in prices of farm requisites.

However, prices of field crops increased more slowly—by 9.3 percent annually—and producer prices of winter cereals (those such as wheat, which are not important as exports) went up by only 6.1 percent a year during this period. The retail price of sugar rose by only 3.1 percent a year.

During 1974 and 1975, prices generally became less favorable to agriculture. While prices of all farm requisites increased by about 22 percent a year and food prices by about 15 percent a year, farm producer prices rose by an average of only 10 percent annually.

Net farm income did not increase in 1975, and farm expenditures for intermediate goods and services increased by 25 percent over the 1974 level.

Of South Africa's total population in 1970, 37 percent of the blacks and 40.2 percent of the whites were economically

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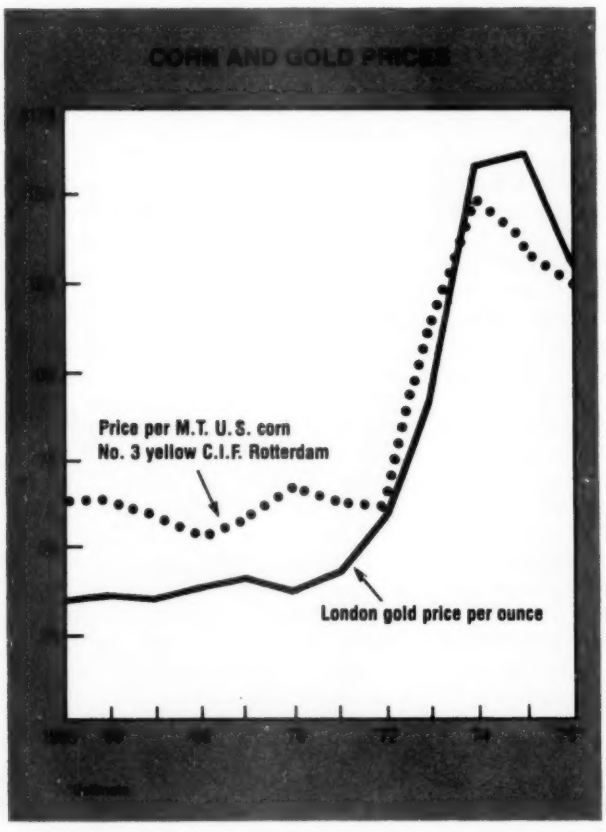

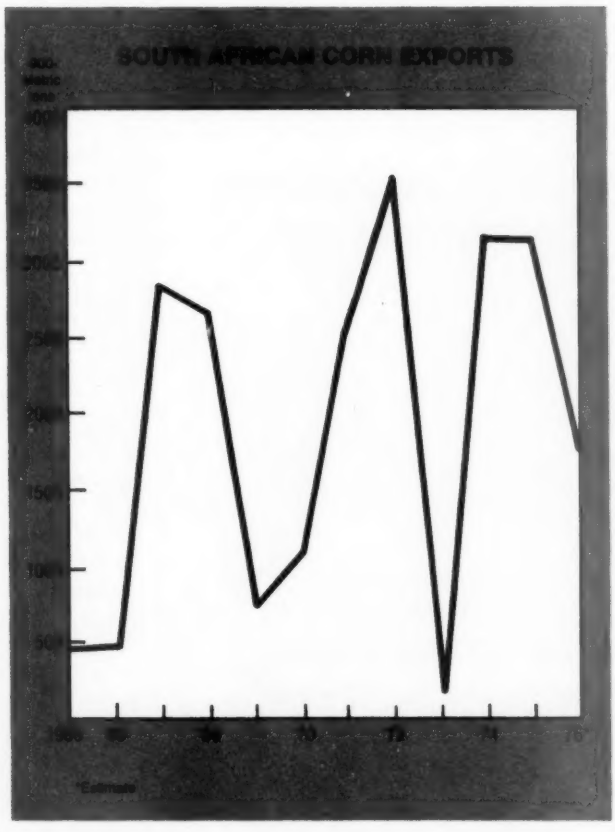

Irish Potato Output Up From '75 Low

POTATO PRODUCTION in Ireland this year is responding strongly to improved domestic demand, higher prices, and favorable weather.

The estimated 1976 potato crop of 1.28 million metric tons will be more than adequate to meet domestic needs, and growers and traders are seeking relaxation of Government regulations that restrict potato exports (other than seed potatoes) to small amounts.

The restrictions on potato exports have led to an increase in smuggling activity, and it is estimated that as much as 1,000 tons of potatoes a week have been leaving Ireland illegally in recent months.

The influential Irish Farmers' Association is calling for creation of a national potato marketing organization that would monitor production and stocks of potatoes and determine minimum prices.

Ireland's average wholesale price of potatoes nearly doubled between 1974 and 1975. The average price for 1975 was the equivalent of $159.30 per ton, compared with $80.40 per ton in 1974.

The price for new-crop potatoes reached nearly $500 per ton in mid-June 1976, but fell back sharply to about $195 per ton by September.

Potato plantings for 1976 were 19 percent above those of 1975, and this year's crop, aided by favorable weather, is estimated to be 35 percent larger than 1975's unusually low figure. The dry weather that hit most of Europe did not affect Ireland until the end of summer, and sufficient moisture was present during the important part of the growing season to ensure a good outturn.

Yields this year are expected to be about 4-4.5 tons per hectare, and first reports on the harvest indicate that quality is good, although the wet weather that prevailed during September may have blighted part of the crop.

Per capita consumption of potatoes in Ireland has been falling steadily. In 1964, it was 151 kilograms per year and by 1974 (the latest year for which data are available) it had fallen to 128 kilograms, a decline of 15 percent. Indications are that per capita consumption in 1975 was down by 10 percent, partly because of higher prices. A further drop of 8 percent is forecast for 1976 because of continuing high prices.

About 400,000 tons—currently, about 30-35 percent—of Ireland's total potato production is utilized domestically as fresh food, between 300,000 and 500,000 tons are consumed as feed, and a substantial 20 percent is wasted through rotting or disease.

About 50,000 tons of potatoes are grown annually under contract for processing, including the manufacture of potato flakes, canning of new potatoes, and production of snack foods such as chips and frozen french fries. In 1974 and 1975, manufacturers had barely enough supplies to honor commitments because many growers did not honor their contracts with processors and sold their potatoes for higher prices on the open market.

In 1861, Ireland had 349,000 hectares planted to potatoes, but by 1975 plantings reached a record low of 39,500 hectares. At first, the decline in area reflected a rising standard of living and improved diet, but in later years the decrease was mainly a result of the relatively unattractive returns from potatoes compared with other farm enterprises, particularly since Ireland became a member of the European Community in 1973.

IRELAND: POTATO AREA, PRODUCTION, AND DISTRIBUTION, 1973-76

Year	Area	Production	Imports	Exports	Domestic utilization[1]
	1,000 hectares	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
1973	48	1,332	11	26	1,317
1974	40	1,112	1	28	1,805
1975[2]	39	950	2	30	922
1976[2]	47	1,280	2	40	1,242

[1] Includes 300,000-500,000 tons consumed as feed and 250,000 tons of waste. [2] Preliminary.

Many potato growers in recent years have viewed returns on potatoes as insufficient to justify the problems of potato cultivation compared with production of other crops. Labor for harvesting has become costly and scarce, and fertilizer prices more than doubled between 1973 and 1975. Also, the reduced 1975 crop led to huge increases in potato seed prices.

—Based on dispatch from
GLENN D. WHITEMAN,
U.S. Agricultural Attaché, Dublin

U.S. Potatoes Move To Western Europe

Sizable amounts of fresh U.S. potatoes continue to move to Western Europe, extending the strong uptrend in U.S. exports that began after the short European potato crop of 1975.

This expansion has been encouraged by high European prices that make it economic to sell potatoes there and by relaxation of stiff phytosanitary requirements of certain European markets. West Germany, for instance, waived its requirement that potatoes be yellow fleshed and, more recently, France waived its ban on imports of North American potatoes. The French waiver, which covers Canada as well as the United States, is effective through February 15, 1977, provided that exporters comply with French import regulations.

However, U.S. potato exporters still must meet a number of phytosanitary requirements to gain entry into European markets. These requirements vary by country but generally include:

- Treatment with growth inhibitors that prevent sprouting and thus discourage use of potatoes for seed stock—most countries require that inhibitors be either IPC, CIPC, or a combination of both.

- Certification that the potatoes are free of diseases, such as ring rot; viruses; and insects that are not present in the importing nation. These requirements range from Belgium's very strict specification that all imported potatoes be certified as seed potatoes to France's acceptance of either field inspection of the potatoes or visual inspection at the time of export.

The majority of importing countries, however, are requiring field inspections,

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U.S. Blueberry Shipments Up As European Output Falls

THE U.S. BLUEBERRY is gaining acceptance among European consumers and processors, according to a U.S. market survey of several countries this past spring.[1]

Attitudes toward the U.S. product have changed considerably in the past year—a change that could mean increased exports. Europeans no longer look upon U.S. wild and cultivated blueberries as poor substitutes for the small, tart European bilberry, but rather as a palatable solution to their berry industry problem of crop and labor shortages.

Calling on potential blueberry buyers in Sweden, the United Kingdom, Switzerland, West Germany, and Belgium, a U.S. blueberry sales team found the switch in attitudes primarily due to excellent results obtained from increased use of U.S. blueberries in European products.

Severe shortages of local berries in Sweden and West Germany in recent years forced processors and consumers to turn to the United States for supplies. This past summer, drought destroyed nearly all of Poland's bilberry crop—traditionally Western Europe's largest supplier. As a result, the North American Blueberry Council estimates that U.S. blueberry exports in 1976 will be 14 million pounds, 27 percent higher than the roughly 11 million pounds—valued at $6 million—exported in 1975. The 1975 exports accounted for 14.5 percent of U.S. production of 76 million pounds.[2]

To help the U.S. blueberry gain acceptance in the past year, European processors used various marketing strategies, including emphasizing the U.S. blueberry's separate identity from the European berry; blending U.S. cultivated or wild blueberries with European wild in several products, particularly jams; and modifying recipes to adapt to the taste of blended berries.

The blueberry team's report on European sales prospects:

Switzerland. There is considerable interest in fresh, cultivated U.S. blueberries in Switzerland. Several manufacturers have also indicated interest in purchasing U.S. wild blueberries. Increased exports of fresh berries to this market, however, depend on changing packaging from pints to smaller, 250-gram containers, a move that is currently being adopted.

West Germany. Consumption in 1975 of blueberries and bilberries, both fresh and processed, in West Germany was estimated at 30-35 million pounds. Of that amount, the United States shipped nearly 125,000 pounds of fresh blueberries.

As labor for harvesting wild, low-bush blueberries becomes more difficult to obtain, production in West Germany may switch to cultivated, high-bush berries. The German processing industry has already accepted U.S. wild and cultivated blueberries quite readily—virtually all glass-pack blueberries sold in 1975/76 were U.S. cultivated berries, indicating a shift of the entire segment of this industry to U.S. berries. Much of this shift is due to price differentials—U.S. berries are highly competitive with their European counterparts.

United Kingdom. Most baking, dairy, and canning industry people in the United Kingdom are rather pessimistic about opportunities for U.S. blueberry sales in this country. Blueberries are not thought of as a highly marketable product. One pastry manufacturer, however, has proved that this assumption may be false; a line of small "American Blueberry Pies" has proven to be quite a successful item, with sales totaling 2.5 million pies in just a few months. The manufacturer intends to expand this promotion in the future.

Belgium. A very strong potential market for U.S. blueberries can be found in Belgium. Blueberry consumption is high—2.5 million pounds annually—but domestic production is only 200,000 pounds of wild, low-bush berries. Other supplies must be imported. Blueberries for this market would be used primarily in jams (60 percent of market share) and bakery products (20

[1] **The market survey was conducted by the North American Blueberry Council and the Foreign Agricultural Service.**

[2] **U.S. export data currently do not list official figures for blueberry production/exports. Data are based on industry sources, various state publications, and USDA.**

Mechanical harvesting of high-bush cultivated blueberries, which account for most of production.

percent of market share).

The current duty structures on blueberries in Belgium—a member of the European Community—are 4 percent, ad valorem, for fresh and frozen, and 22 percent, ad valorem, for canned (plus a sugar levy).

Sweden. The highest per capita consumption of bilberries is found in Sweden, where a popular food item is "blabarsoppa" or blueberry soup. U.S. fresh blueberries, however, have had a mixed reception in this country, owing perhaps to limitations on new product marketing, including lack of advertising on radio and television.

The United States has not always been a blueberry exporter. Until as recently as 1972, the United States imported wild blueberries from Europe. At this point, the United States turned from importer to exporter, and in 1973, 4 million pounds of blueberries were shipped to Europe. In 1975, the United States shipped a season total of 7,500 12-pint crates of fresh blueberries to Europe. By 1976, these shipments increased to over 7,500 crates per week during the traditional 10-week shipping period.

Total North American blueberry production in 1975 was roughly 110 million pounds. Over 38 million pounds of this total are wild, low-bush berries that are gathered primarily in Maine, New Hampshire, and Canada. The balance of blueberry production is of cultivated, high-bush berries. The industry for this sector of the market is found predominantly in Michigan and New Jersey.

TOTAL production of U.S. blueberries in 1976 is expected to total roughly 86.5 million pounds, up 13.5 percent from the 76.2 million pounds harvested last year. The top blueberry producing states in 1976 are expected to be Michigan (30 million pounds), New Jersey (26 million pounds), and Maine (22 million pounds).

Although U.S. production of blueberries is high, Poland and East Germany are the largest producers and exporters of bilberries to Western Europe —where annual consumption is at least 55 million pounds. During the period of 1965-69, Poland exported 26.9 million pounds of fresh, canned, and frozen bilberries. Production and exports since that time have trended downward, however, owing to weather problems and labor shortages.

Canada Expects Record Grain Crops

Canada's 1976 harvests of wheat and feedgrains may reach record highs, creating large export availabilities and presenting the Canadian Wheat Board (CWB—Canada's major grain marketing agency, except for rye) with a massive sales challenge.

However, production of grain corn —grown chiefly in Ontario—has been held down somewhat by less-than-normal heat units. The magnitude of the corn crop will depend on the number of warm, sunny days prior to harvest.

The wheat crop is estimated at 22.8 million tons, which provides Canada with more wheat available for export or stocks this year than for the past 4 years. Stocks on July 31 totaled about 8 million tons—minimal for that time of year.

Wheat yields are expected to range from average to far above average. Protein content is expected to average 13 percent—a bit below last year's figure.

The wheat price premium sought in past years by the CWB may not exist this year because of the higher protein content of competing wheats grown under drier conditions than normal. Wheat producers this year will each be able to load one boxcar (2,000 bushels) of high-protein wheat, which will qualify the producer for a protein bonus.

The initial price—also the guaranteed minimum price—to be paid Canadian wheat farmers on deliveries of 1976 spring wheat is $3 per bushel for Number 1, CWRS Grade. If the pool price should fall below the $3 level, a Government subsidy payment would become necessary.

It is likely that the CWB will be under pressure to operate the 1976/77 wheat pool in such a way as to guarantee that no Federal funding becomes necessary.

The $3 price is 75 cents higher than the initial price set in the preceding 3 years. There had been complaints that the previous price distorted the domestic market and diverted wheat from the CWB.

Canadian exports of wheat during 1975/76 (based on 11 months' preliminary data) were 12 million tons, including the wheat equivalent of about 500,000 tons of exported flour.

The 1976/77 marketing year could be an important one for operation of the CWB's delivery quota system. CWB can call forth supplies of its various grains through setting quotas authorizing producers to make deliveries into the system.

Once delivery to the CWB account is made, the initial price is paid the producer. In the absence of a delivery quota, the grain remains at the farm or primary elevator and is not an obligation to the CWB.

Production of barley, oats, and rye has benefited from the same weather conditions that are aiding the wheat crop. The CWB, as in the case of wheat, is expected to be a vigorous seller of barley and oats. Rye in Canada is traded by private traders.

The 1976 barley harvest promises to be excellent at 10.4 million tons. The crop is being produced on a slightly smaller area than 1975's and with a higher average yield, and the total harvest is expected to supply 4 million tons for export.

Preliminary reports on rye production indicate total output of about 557,000 tons. More of the 1975/76 crop was exported than previously anticipated, with resulting lower carry-in stocks. The grain trade is expected to press for another year of high-level exports.

The grain corn crop, which is running behind in the desirable level of heat units, promises to be a good average crop, given favorable weather in the final growing weeks. Grain corn area in Quebec is increasing, and Manitoba producers are seeking enlargement of the modest area now assigned to grain corn in that Province.

Ontario corn probably gained some in competitiveness when the feed freight assistance was phased downward for Ontario and parts of Quebec.

However, U.S. corn competition in the Montreal market probably has intensified because of recent changes in the domestic feedgrains policies.

Egypt the Bright Spot in Mideastern Tallow Market

EGYPT—THE largest Mideastern importer of U.S. tallow—merits special attention from U.S. tallow exporters interested in the growing Mideastern market. Prospects in other countries of the region—and in Greece—are more limited, although some of them also hold potential either as tallow importers or central distribution points for U.S. tallow.

These were the findings of three tallow marketing specialists who visited Egypt, Saudi Arabia, Iran, Syria, Kuwait, and Greece last spring. The team members included Abner Deatherage, FAS Livestock Marketing Specialist; Jack L. Crouse, National Renderers Association (NRA) Market Development Coordinator; and Robert N. Peterson, NRA President.

One positive factor pointed out by the team was the favorable tariff rate for tallow relative to palm oil in most countries visited. In addition, most of the nations are undertaking livestock expansion programs that could eventually result in considerable use of the animal fat in feed. So far, however, only Egypt has ventured into this area on a rather significant scale.

Thus, the tallow now being imported by these markets goes mainly for soapmaking, with Egypt also using some edible tallow in the manufacture of ghee and shortening.

This use for soap manufacture is expected to grow gradually, with some market share losses to detergents. At the same time, however, there is a growing awareness of the water pollution problems associated with phosphate-synthetic detergents—and the consequent merit of biodegradable (nonpolluting) tallow-based detergents, especially in countries trying to encourage tourism.

Handicapping imports by all countries of the Mideast is the extreme congestion at ports and/or the severe lack of port storage for bulk oil, as well as serious deficiencies in internal transport and distribution facilities. In some cases, these deficiencies force the import of tallow in drums, which costs almost $100 per metric ton more than tallow in bulk. This cost difference indicates that the addition of bulk storage at the harbors of sizable importers such as Egypt would quickly pay for itself.

Egypt. Population alone accounts for a good deal of the Egyptian potential since this nation of 38 million people—8 million in the Cairo area alone—is the most populated Mideastern country.

In addition, Port Said possibly would be a convenient distribution point for tallow products moving to other Mideastern countries.

Egyptian imports of U.S. tallow totaled 126,000 tons valued at $49.6 million last year, with the bulk of this going for soap manufacturing.

There are seven soap manufacturers in Egypt, some with several plants. An increase in soap consumption is expected in the future, but detergents are increasing in popularity and could cut into this growth.

Also, from 10-20 percent of the makeup of ghee, a cooking oil made largely from butter oil or other animal fats, is tallow and 120,000 tons of ghee are expected to be produced in 1976. This means as much as 24,000 tons of tallow may be going for an edible use. More tallow would probably be used in ghee if the price were lower.

Another area of potentially increased tallow use is the poultry industry. This industry is slated for considerable growth in the near future, and its representatives are convinced of the need for fat in feed.

Import requirements for the poultry program in 1975 and 1976 (in metric tons) include:

	1975	*1976*
Animal fat	1,500	4,200
Fishmeal	7,000	9,000
Meat meal	1,000	3,000
Soybean meal ...	—	42,000

Currently, there are 25 million broilers in the Government sector and some 20 million in the private sector under Government programs. The goal is to have 70 million birds under the latter program by 1980.

Feed formulas currently call for the addition of 4 percent fat to mash feeds, but there are plans to build pellet mills producing products with higher percentages of fat content.

Less promising are reports from cattle producers. An official of the General Egyptian Organization for Meat and Milk estimates that Egypt imports 1 million tons of feed per year but actually needs 1.8 million and currently uses no added fats in cattle feed. The one ration now formulated by the Government for cattle contains no added fat.

One handicap to Egyptian tallow imports is the deficiency in storage and handling facilities at the port of Alexandria—currently the only entry point for tallow. With over 100 ships recently waiting to discharge cargo, the port has a waiting period of 90-150 days.

For bulk tallow, the wait is avoided by barging the product from the outer harbor to dock and then unloading it immediately into tank trucks of 5- to 8-ton capacity for shipment directly to the buyer.

However, bulk purchases are limited by the available storage at the buyers' plants, resulting in extensive imports of drummed tallow. At the time of the team's visit, freight rates on this drummed tallow were approximately $51 per long ton, compared with $18 per ton for the bulk tallow. Also, there are times when bulk tallow to be offloaded exceeds barge capacity resulting in demurrage charges.

All told, the port of Alexandria probably handles more than 240,000 tons of fats and oils per year, with no bulk terminal facilities other than barges.

Another problem, particularly where food ingredients are concerned, is the country's currency restrictions. The Government controls all selling prices, so fluctuations in the cost of feed ingredients pose a serious problem to producers.

Saudi Arabia. Sparsely populated with only 5-7 million citizens, but immensely wealthy because of its oil riches, Saudi Arabia currently offers only modest potential as a tallow importer. Talks with officials of the various Government agencies and some private businessmen also reveal:

- Saudi Arabia is not importing tallow at the present time.
- Livestock development is receiving priority, with the greatest emphasis on dairy cattle. So far no animal fats have been used in feed; beef initially will come from range or grassfed cattle.
- There is some interest in milk replacers for feeding dairy calves, but the

preference is to import these rather than produce them locally.

• There are no current Government plans to boost production of poultry, which is produced mainly on small farms that raise and mix their own feed. The Government considers its job of encouraging this industry completed through its earlier programs. However, the Government would like to see private industry move to expand poultry output. One large private producer says he may eventually consider using animal fats in his feeds.

• The only soap plant, in Jeddah, produces only detergent while toilet soaps are all imported. However, there are plans by two major companies to build soap plants and manufacture toilet soaps in the country.

• The Government does not permit blending of different fats or oils; there is a possibility of using pure (unblended) tallow in ghee, which is to be produced in one of the new plants now under construction.

• Soap consumption in Saudi Arabia currently faces a limitation of lack of water supplies.

Kuwait. As a market for tallow and greases in bulk, Kuwait has almost no potential. However, it does represent a transit point as well as trading center for the Arabian Gulf area. Among the advantages is that it is one of the best ports in the Persian Gulf, with 30 percent of its traffic being transit. Cold storage and live cattle holding facilities are now under construction there.

In addition, there is a possibility that one of two trading companies could provide financing and trading facilities for U.S. tallow going into North Africa and the Mideast.

Iran. Despite a rapidly growing economy and emphasis on livestock production, this country still is a minor importer of tallow, with imports dropping from 25,000 tons in 1972-74 to an estimated 10,000-12,000 tons in 1976. The United States supplies the majority of these imports, virtually all of which go for soap manufacturing.

One major importer of tallow feels that this use in soap will remain virtually static in the near future as a result of the rapid encroachment of phosphate-synthetic based detergents into the market. However, there also is considerable concern about the water-pollution effects of these detergents, which could possibly slow the shift to them.

Serving to limit tallow's use in soap are religious and Government objections to blending it with locally produced oils. Also, the Government subsidizes the use of corn in feed ingredients, and corn competes with tallow as an energy source for animals. As a result of this corn-use subsidization, tallow would cost the feed miller 45 rials per kilogram, versus 9.5 for corn.

Another substantial hindrance to U.S. tallow sales in Iran is that transportation of tallow from the major water port—Khorramshahr—to Teheran is limited to only 300 tons per day. And the cost of this freight runs around $175 per metric ton. (The freight cost is about $40 per ton from U.S. ports to Khorramshahr.)

A possible entre into use of tallow in feed might be the milk replacer market. Large numbers of U.S. dairy cattle have been shipped to Iran over the past 2 years, and the Government is anxious to set up a demonstration farm to train farmers in dairy husbandry, which could include use of milk replacers.

One advantage is the relatively low duty for tallow and other fats vis-a-vis palm oil—only a third or a fourth of the palm oil tariff.

". . . use for soap manufacture is expected to grow gradually with some market share losses to detergent."

Syria. Despite considerable economic progress in the past few years, Syria offers limited potential as a market for U.S. tallow. Under Government controls, there is no economic incentive to expand soap production, and this is the major tallow outlet owing to Government and religious restrictions limiting the product's use to soap, and animal feeds.

So far, tallow is almost unknown as an animal feed, while about 1,000 tons reportedly are imported per year for use in high-grade toilet soap.

The potential market for tallow or fatty acid in soapmaking is estimated at about 6,000 tons per year, even though total soap production stands at about 28,000 tons per year, Limiting use of these products is the abundance of domestically produced olive oil and cottonseed oil foots available for use in soap production.

Syria's poultry industry also is a potential tallow user—despite the lack of a market here so far—provided tallow can be sold at a price more nearly in line with that for Thai corn. Syria hopes to achieve rapid growth in production of both eggs and poultry meat by 1980. The goal is to boost annual egg output to 1.5 billion from about 512 million produced in 1975 and to up yearly poultry meat output to 72,000 tons from 15,500.

Lamb milk replacers and heavy lamb projects also are feasible. However, it will be necessary to undo centuries of tradition and practices, which include the use of fat tail lambs that mature slowly. The few cooperatives now raising lambs in confinement are potential markets for finished-product milk replacers.

Greece. Imports of tallow by Greece are small and erratic, reflecting the changing situation for its major oil crop —olives. Last year, the country bought only 500 metric tons of U.S. tallow, owing to a large olive crop and surplus stocks of olive oil, but imports in 1976 are expected to rebound to 2,000-5,000 tons.

Until about a year ago, these restraints limited Greek tallow imports to 3,000 tons subject to a duty of $30 per ton. Imports in excess of 3,000 tons had a prohibitive duty of $140 per ton. The major tallow users (soapers) persuaded the Government to eliminate the quotas in exchange for a compromise duty of $80 per ton. This duty is to be reduced in stages in order to bring duties into line with those of the European Community.

Annual consumption of toilet soap in Greece is currently 5,000-6,000 tons; laundry soap, 12,000-15,000; and detergents, 40,000. As in Iran, there is concern about water pollution, particularly since the country needs to maintain clean waterways and beaches for its important tourist industry. And this may provide a significant new opportunity for tallow-based detergents.

No tallow or grease is currently being used in feeds, although one firm is equipped to add fat to feeds. Should it begin doing so, however, domestic material most likely would be used.

U.S. Farm Exports Heavy In Transitional Quarter

By SALLY E. BREEDLOVE
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BOTH QUANTITY and value of U.S. farm exports were higher during the transition quarter between fiscal 1976 (July 1975-June 1976) and fiscal 1977 (October 1976-September 1977).

Export tonnage was 15 percent greater, while value was up 13 percent to reach a total of $5.36 billion.

Strong export-volume growth was recorded for animals and products, corn, rice, vegetable oils, and oilmeal. Fruit, nut, and vegetable exports also expanded, especially of potatoes, pulses, and fresh lemons and limes.

Volume declines were recorded for exports of cotton, wheat, and soybeans and other oilseeds. Tobacco shipments held at the year-earlier volume.

The price index of export commodities fell slightly in July-September because of lower unit values for grains and vegetable oils. Unit values of soybeans, oilmeal, cotton, and tobacco were above year-earlier levels.

July-September 1976 agricultural imports were valued at $2.8 billion, 17 percent above those of a year earlier and a record high for any quarterly period.

The volume of coffee imports was down by one-fourth but prices doubled.

U.S. raw sugar imports rose only slightly while the unit value was down 37 percent. A decline in palm oil imports was more than offset by larger imports of other vegetable oils.

The U.S. agricultural trade surplus totaled $2.55 billion during July-September 1976. The trade deficit for nonagricultural products was $6.9 billion. This rising nonfarm deficit had been expected to occur as the U.S. economic recovery got underway.

Major factors boosting U.S. agricultural exports during the transition quarter were large grain shipments to the USSR at the end of the 1975/76 marketing season, the European drought in the summer of 1976, recovery in livestock feeding abroad, and large P.L. 480 shipments delayed at the end of fiscal 1976.

July-September U.S. agricultural exports increased in value to all major regions except to the USSR and Latin America. Grain exports to the USSR were up 26 percent in weight. However, shipments shifted from wheat to corn, and unit values were lower.

U.S. agricultural exports to Southeast and East Asia (excluding Japan and the People's Republic of China) were valued at $594 million, 24 percent above the July-September 1975 value. The growth is attributable principally to larger shipments of rice, wheat, and corn.

Direct U.S. agricultural exports to Eastern Europe tripled in value during July-September 1976. (In addition, large volumes of U.S. grains and oilmeal were transshipped through Canada and West Germany.) Three-fourths of the value increase is attributable to larger shipments of wheat, oilmeal, and grain sorghum.

July-September U.S. agricultural exports to Western Europe were up 9 percent in value, at $1.59 billion. Substantial growth was recorded for feedgrain exports, and shipments of vegetables, tobacco, and animals and animal products were also greater. The export volume declined for wheat, soybeans, and oilmeal.

During July-September 1976, the United States exported 8.9 million tons of wheat and wheat products, compared with 9.4 million a year earlier. The unit value was $143 per ton, down from $155 last year. The 1976/77 world wheat crop is estimated at 12 percent above last year's crop; the largest U.S. competitor—Canada—harvested a record 23.6 million ton crop.

A 44-percent volume increase was re-

U.S. AGRICULTURAL EXPORTS: VALUE BY COMMODITY
July-Sept. 1973-76

Commodity	1973	1974	1975	1976	Change from 1975/76
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Percent*
Animals and animal products:					
Dairy products	14	18	27	38	+44
Fats, oils, and greases	86	143	60	107	+79
Hides and skins, including furskins	82	89	80	145	+82
Meat and meat products	70	77	117	136	+16
Poultry and poultry products	31	34	42	70	+66
Other	54	43	40	59	+48
Total animals and products	337	404	366	555	+51
Grains and preparations:					
Feedgrains, excluding products	1,112	902	997	1,366	+37
Rice	94	181	120	186	+56
Wheat and major products	1,254	1,169	1,460	1,271	−13
Other	55	44	39	35	−10
Total grains and preparations	2,515	2,296	2,616	2,858	+ 9
Oilseeds and products:					
Cottonseed and soybean oil	57	169	67	70	+17
Soybeans	256	494	532	492	− 8
Protein meal	209	173	143	213	+48
Other	70	84	79	86	+ 9
Total oilseeds and products	592	920	821	870	+ 6
Other products and preparations:					
Cotton, including linters	161	220	247	284	+15
Tobacco, unmanufactured	162	175	162	173	+ 7
Fruits and preparations	141	162	188	214	+13
Nuts and preparations	16	28	36	42	+16
Vegetables and preparations	79	104	88	126	+43
Other	148	158	219	233	+ 6
Total products and preparations	707	847	940	1,072	+14
Total	4,151	4,467	4,743	5,355	+13

corded for U.S. feedgrain exports during July-September. Of the 11.5-million-ton total, half was shipped to Europe (excluding the USSR). Export volume was up 43 percent to the European Community, 36 percent to other West European countries, and 165 percent to Eastern Europe.

U.S. feedgrain exports to the USSR totaled 1.3 million tons in July-September 1976, up from 49,000 tons during July-September 1975. The high volume of feedgrain shipments to the USSR began in October 1975, and by September 1976, shipments totaled 10.6 million tons, of which corn comprised 10.5 million.

During the transition quarter, 655,000 tons of U.S. rice were exported, 227 percent of the July-September 1975 total. The export unit value fell 31 percent to $258 per ton.

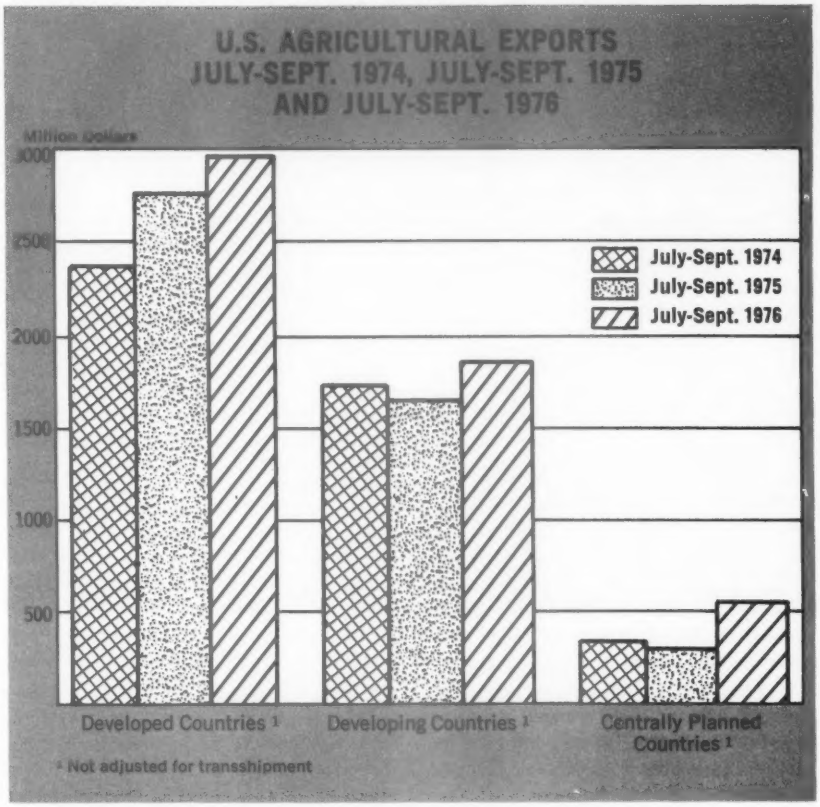
July-September U.S. soybean exports dropped 15 percent in volume and 8 percent in value to 2.06 million tons valued at $492 million. Exports to Japan, the largest country market for U.S. soybeans, were up 7 percent in volume. Shipments to Western Europe fell by 30 percent.

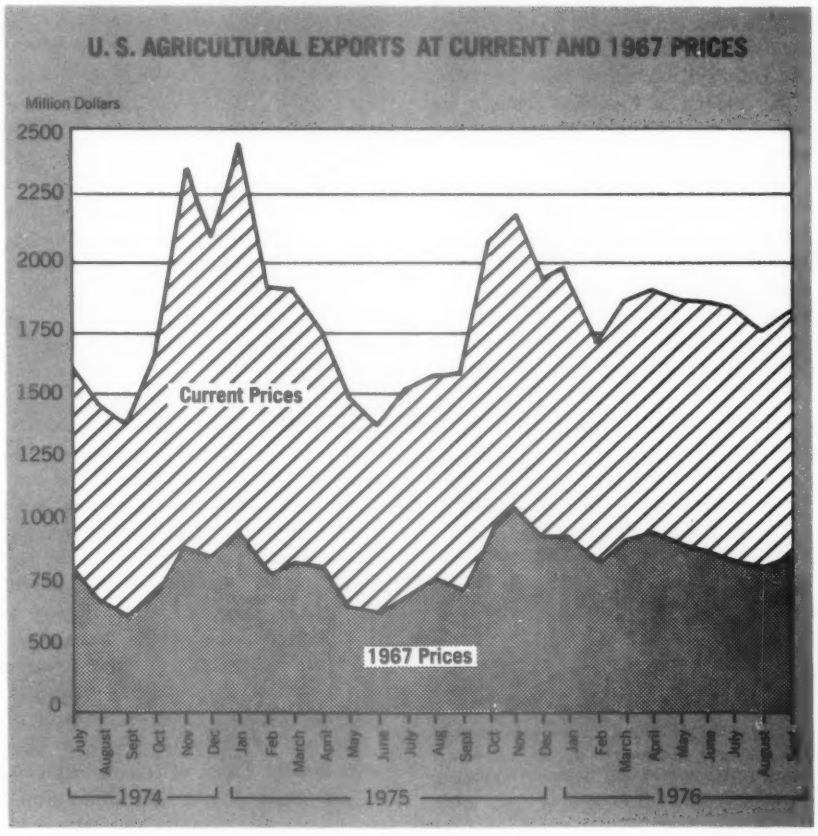
U.S. cotton exports (including linters) totaled 206,000 tons during the transition quarter, compared with 215,000 tons during the same months a year earlier.

U.S. cotton stocks were down to 800,000 tons at the end of the 1975/76 marketing year, and thus export availabilities were limited. Although the world textile industry has strengthened, cotton prices are high compared with those of synthetic fibers.

U.S. cotton shipments to the developing countries of Southeast and East Asia dropped 23 percent in volume during July-September. A recovery began in Japanese demand; shipments to Japan were up 83 percent.

Last summer's drought sharply reduced the West European potato crop, and the United States has been able to make up some of the shortfall. U.S. exports of fresh and dried potatoes were valued at $22 million during July-September, up from $8 million a year earlier. The total included 118,663 tons of fresh potatoes and 13,368 tons of dehydrated potatoes, potato flakes, and granules. Almost half of the potato products were shipped directly to Western Europe, but some potatoes may have been shipped through Canada to Western Europe.





Canadian, U.S. Tobacco Farmers Face Same Problems

By HERBERT F. RUDD
Foreign Market Development, Grain and Feed
Foreign Agricultural Service

CANADA IS ONE of the world's major tobacco producers. Its industry competes for markets with that of the United States, shares many of the same problems, and uses many similar growing techniques.

One problem bothering both countries is their smaller sales of flue-cured tobacco to some markets, particularly to the United Kingdom.

Growing around 113,000 metric tons of tobacco annually—equal to about one-eighth of U.S. output—Canada produces its flue-cured leaf primarily for use in domestically made cigarettes. But this still allows 25-30 percent of flue-cured production for export and permits Canada to supply a significant but declining share of U.K. imports.

In calendar 1975, Canada's leaf sales to the United Kingdom amounted to 20,412 tons, but this was nearly 30 percent less than the 28,304 tons shipped to the United Kingdom in calendar 1974. U.K. imports of Canadian tobacco are expected to recover slightly in 1976, possibly to 21,319 tons.

Among the other problems facing both countries are rising labor costs. In Canada these are encouraging growers to consolidate small acreages into larger tracts to permit the use of automatic-harvest and bulk-curing equipment. In foreign markets, both Canadian and U.S. tobacco face vigorous price competition from flue-cured and other leaf grown in low-wage areas such as Africa, India, and Brazil.

About 90 percent of all Canadian flue-cured leaf is produced in Ontario—particularly its southernmost parts. Small crops of burley, cigar, dark, and pipe tobacco, grown in Ontario, Quebec, and the Maritime Provinces, enable Canada to meet most of its current needs, despite its northern location. However, production of burley and cigar leaf is declining. More lucrative alternative crops (tomatoes, beans, and fruits in the Windsor, Ontario area, for example) and declining consumption of pipe tobacco and cigars are largely responsible for the drop.

The 1975 Ontario flue-cured crop, harvested in August, September, and October, was 95,255 tons (green weight), 15 percent lower than the 1974 crop. The Ontario production target for 1976 is 79,380 tons.

Burley was the most important leaf produced in Canada through the 19th century, with production in Ontario centered east of Detroit, although at that time Quebec-grown tobacco accounted for the bulk of the crop. Output there reached 7,000-10,000 tons by about 1910, but was soon surpassed by Ontario, which now supplies the bulk of the Canadian cigarette industry's leaf needs.

Production in Ontario expanded rapidly after flue-curing was introduced by North Carolinians attracted northward by the area's expansive tracts of light, sandy soils. With the change in consumer habits from pipe smoking and tobacco chewing to cigarette smoking, following the development of cigarette rolling machines, the demand for flue-cured leaf grew even more rapidly in both the United States and Canada, stimulated by two World Wars and growing populations and incomes.

Canadian flue-cured production practices differ somewhat from those employed in the United States. The late Ontario spring necessitates starting seedlings in greenhouses; whereas the milder climate of the U.S. Southeastern States permits early planting in plastic covered field beds. Inadequate Ontario rainfall is a common problem in July when plant moisture needs peak, so most growers have invested substantially in irrigation systems.

Summer hail is another risk in Ontario, and the threat of frost in September and October sometimes forces growers to harvest leaves not yet fully ripened. As a result of these climatic disadvantages, production costs are probably higher, and Canadian flue-cured leaf is yellower and less favorful than that produced in the United States.

Canadian flue-cured farms are generally quite large and most growers rely on tobacco as their main source of income. The average size of tobacco farms in Ontario was about 12 hectares in 1974, while in Quebec and Prince Edward Island the average crop covered 22 hectares. By comparison, the average size of U.S. flue-cured farms was less than 2 hectares in 1974, although some U.S. farms are much larger. The large scale of Canada's tobacco operations permits more efficient building and equipment use, but requires larger land and capital investments and a substantial outlay for peak-harvest-period labor.

Crop rotation is widely practiced among Ontario growers. Rye—or sometimes wheat—is rotated in a 2-year cycle with tobacco. The grain generally is harvested and the straw disced into the sandy soil to supplement its organic matter.

SEVEN FLUE-CURED varieties are licensed for use in Canada. And programs have been instituted by the Delhi, Ontario, Tobacco Research Station to develop leaf varieties presenting fewer health hazards to smokers, and to provide extension publications and services to tobacco growers and farmers throughout Canada.

Canadian tobacco yields compare favorably with those in the United States. In fact, in the first 4 years of the 1970's, the average Ontario flue-cured yield exceeded the average yield for the total U.S. flue-cured crop.

Detailed studies of U.S. and Ontario flue-cured production costs are not completely comparable because production methods and mechanization levels differ, but they are close enough to furnish some basis for comparison. The Ontario study, based on a sample of 12 growers' reported 1974 costs—for operations having standard barns—showed an average production cost of 29.4 Canadian cents[1] per kilogram, exclusive of costs for land use, management expenses, and allotments. Labor (both family and hired) was the largest single cost item, accounting for 47 percent of the total.

This article is based on the author's trip to Canada to survey the industry there as a former member of the Tobacco Division, Foreign Commodity Analysis.

[1] For practical purposes, assume that one U.S. dollar is equal to a Canadian dollar.

A Board estimate predicted that 1975 production costs would be 14 percent costs would be 14 percent higher.

In the United States, the study showed that the 1974 estimated production cost was 26.4 cents per kg, with a 12 percent increase indicated for 1975. Labor accounted for 36 percent of total costs.

Canadian practices in the harvesting and curing phases are adapted to Canada's shorter growing season and the larger average size of its farms. These practices also are different from those in the United States.

Priming (picking ripe leaves) begins in early August (compared with June or July in Florida and Georgia) and can continue as late as October. Virtually all Canadian flue-cured growers employ some form of mechanization in priming.

Canadian barns (or kilns) are of two basic types. The traditional, tiered wood barn has either convection oil heat or gas-fired forced hot air; leaves are machine sewn onto slats which are hung manually in the barn. Bulk curing barns are smaller, better insulated and more densely packed with straight or tangled leaves pressed into tined metal racks. Loading the bulk barn requires less labor, and curing fuel is used more efficiently.

Whereas the traditional slat-barn growing and curing setup might require up to 20 men to work approximately 30 hectares of tobacco, a more modernized operation can handle the same acreage with five men and an automatic picker, curing the production in 14 bulk barns. Total investment in this mechanized system may reach $140,000. A completely mechanized harvest and curing operation could require a two-row combine and six to 20 bulk barns, and might cost even more.

Production and marketing of all flue-cured tobacco in Ontario Flue-Cured Tobacco Growers' Marketing Board

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Above, five-man harvester. Each man picks ripe leaves and puts them into basket in front of him. Left, green tobacco in bulk curing barn. U.S. and Canadian tobacco growers share many of the same problems and techniques.

CANADA: ESTIMATED SUPPLY AND DISTRIBUTION OF UNMANUFACTURED TOBACCO
[Metric Tons, Dry Weight]

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975[1]
Beginning stocks	134,226	124,545	133,314	138,224	133,503	145,955	147,821	146,820	124,843	144,922	150,612
Production	70,304	95,694	87,069	89,417	101,096	90,678	91,508	76,224	104,997	103,942	92,145
Imports	1,547	2,024	3,720	2,632	3,105	2,968	3,350	2,898	4,626	6,369	6,856
Total supply	206,077	222,263	224,103	230,273	237,704	239,601	242,679	225,942	234,466	255,233	249,613
Manufacturers' use	62,708	71,779	66,416	69,842	61,685	62,442	65,342	66,898	61,143	68,389	64,960
Exports	18,824	17,170	19,463	26,928	30,064	29,838	30,517	34,201	28,401	33,775	26,584
Ending stocks	124,545	133,314	138,224	133,503	145,955	147,821	146,820	124,843	144,922	153,069	158,069
Total distribution	206,077	222,263	224,103	230,273	237,704	239,601	242,679	225,942	234,466	255,233	249,613

[1] Estimate.

Soybeans for Food Accorded Priority In Ecuador Program

Overall interest in the soybean and its products is at an alltime high in Ecuador, as the country allocates higher priority to soybean use for human nutrition vis-a-vis livestock feed.

This interest has increased markedly since 1972 when an oilseeds program was initiated as part of an effort to develop and diversify agriculture. Subsequently, most of the attention has focused on soybeans, the oilseed crop with the greatest expansion potential. Soybean production in Ecuador between 1972 and 1975 rose 841 percent, from 850 metric tons to 10,000. Production is expected to increase 80 percent this year to 18,000 tons.

This increase is somewhat larger than anticipated owing to production credit that is available for soybeans and other oilseed crops, but not for many of their alternatives. The increase also reflects a high fixed producer price equivalent to $16.80 per hundredweight.

Ecuador's 1975 soybean harvest was processed into roughly 1,800 metric tons of oil, leaving an import deficit of 14,900 tons, which was purchased from the United States. As Ecuador increases its soybean production more rapidly than the growth of domestic consumption, however, the United States will find its sales to this market reduced.

Ecuador's production goal is self-sufficiency, which currently would require an annual crop of 85,000 tons. Requirements probably will double over the next 5 years and, while Eucador apparently has the expansion potential, producer enthusiasm necessary to achieve a rapid increase in output has been impeded by the lack of suitable high-yielding seed, a viable production credit system, adequate seed, herbicides, and planting and harvesting equipment. In addition, Ecuador lacks on-farm cleaning, drying, and storing facilities, and a well developed marketing system including weights and measures, and grades and standards.

Most of these problems are now being dealt with through the combined efforts of the Ministry of Agriculture's Program for Agricultural Development and Diversification (PDDA) and several foreign assistance agencies.

Production credit loans by the banking system in Ecuador have usually gone to larger land owners. However, smaller producers are now being attracted to soybean production and more loans may be available.

Although oilseed processors believe producer prices are too high, the PDDA feels that the long-term benefit of the program outweighs the consumer's current burden. While no final decision has as yet been made, the Government is likely to hold producer prices at current levels through 1977, after which they will gradually be brought into line with international levels.

Concentrating its efforts on nutrition, the Government is looking at soybean products largely as means to improve child health. The rapid and practical solution to this problem appears to be fortfying bread (wheat) flour with 12 percent soy flour, a plan that has been tested by CARE, with positive results.

At first the Ministry of Health will meet all of its ingredient needs through imports. Later, as domestic soybean production rises and facilities are built to produce soy flour or soy protein concentrate locally, the Ministry will probably turn to local suppliers for their soy requirements.

The most important feeding program involving soy fortification occurs under the Ministry of Health's Maternal Child Health Program, which involves receiving soy fortified rolled oats from CARE under food aid grants of P.L. 480 and mixing them with whole fat milk powder in an 85:15 ratio.

Owing to the country's improved economy and other factors, however, the U.S. Agency for International Development (USAID) has decided to phase out P.L. 480 feeding activities in Ecuador, though some shipments of plain rolled oats will continue under the World Food Program.

—C. Milton Anderson
U.S. Agricultural Attaché
Quito

Italy's Cigarette Sales Continue To Rise

Italy's cigarette sales during 1975 at 88,700 tons were 1.3 percent higher than in 1974, according to data published by the Italian Tobacco Monopoly.

Sales of Monopoly brands rose nearly 5 percent to 58,600 tons, with sales of the single leading brand climbing 29 percent to 25,600 tons.

Sales of imported cigarettes—virtually all from European Community countries but primarily from the Netherlands and West Germany—increased 6 percent over year-earlier levels to 22,700 tons for a 26 percent share of the market in 1975. Sales of foreign brands manufactured under license by the Monopoly fell in 1975 to 7,400 tons.

The extent to which foreign brands (imported and manufactured under license) have penetrated the Italian market is unparalleled among major consuming countries. During 1966-1975, sales of foreign brands increased from 6,300 tons to 30,100 tons, representing a growth in market shares from 9 percent to 34 percent.

In addition, contraband imports are believed to have accounted for as much as 20 percent in some years of Italy's total cigarette consumption. However, the flow of cigarettes smuggled into Italy in recent years is believed to have been reduced by greater output by the Monopoly of light, blended cigarettes, a weaker lira, and keener official vigilance by the authorities.

The rise in foreign cigarette sales reflects the changing preferences of Italian smokers. Traditionally, Italy was a market for cigarettes made from domestic dark tobaccos, but today the Italian market is dominated by international-type blends made from light flue-cured, burley, and oriental tobaccos.

The shift to blended cigarettes has coincided with a sharp expansion in Italy's leaf tobacco production and trade. Over the past decade, Italy's tobacco production has increased 31 percent, leaf imports five-fold, and exports nine-fold.

While most of Italy's expanded leaf trade has been with other EC countries, U.S.-Italian trade has flourished in recent years. The United States during 1975 took 27 percent of Italy's tobacco exports and in turn supplied 40 percent of Italy's unmanufactured tobacco imports.

In the fiscal year ending June 1976, U.S. exports of unmanufactured tobacco to Italy totaled 13,900 tons worth $47.8 million, down 7 percent in volume and 10 percent in value from previous-year levels.

—Kenneth E. Howland, FAS

Canadian, U.S. Tobacco Farmers

Continued from page 13

(OFCTGMB). The functions of the Ontario Board may be shared in the future with a Canadian National Marketing Board expected to be established this year. Tobacco growers elsewhere will benefit from the forming of the new Board because price guarantees and production controls, which now apply only to Ontario-grown flue-cured and burley, would be extended to all types of tobacco grown in all of Canada's tobacco-producing Provinces.

Tobacco growers auction graded leaf in five equal batches during the auction season on dates assigned by the Board to equalize each grower's sales opportunity. Ontario's Dutch clock auction system, combined with the large leaf display area, is quite efficient, adequately serving the needs of that Province's tobacco growers. The exchange appears to have the capacity to auction about twice the expected 1976 sales volume.

Auction prices for Ontario-grown, flue-cured leaf appear to be strongly influenced by U.S. flue-cured production and prices. There is little border trade in leaf between the United States and Canada. Yet Ontario prices in recent years have moved roughly parallel with U.S. prices, rising sharply from 1972 and 1974, and softening in 1975 as U.S. production increased and tobacco prices stabilized.

The spread between U.S. and Canadian growers' prices and export values is generally attributed to the more flavorful characteristics of U.S. leaf.

Flue-cured production controls in Ontario are based on a target-poundage figure determined in April by the Tobacco Board after consultations with domestic leaf users—the Canadian Tobacco Manufacturers Council (CTMC)—and export buyers, especially those from Great Britain. The Board is committed to produce and sell the required volume of leaf, and the CTMC agrees to buy the entire crop (except that part exported) at an agreed minimum average price per pound.

The individual grower is then allotted a maximum acreage for planting, based on his share of the total registered flue-cured land area which in Ontario amounts to 61,341 hectares. During the spring and summer the Board verifies by aerial photography that no farmer's planted acreage exceeds his allotment. Any excess must be plowed under.

A farmer may plant less than his allotment, and may even lease up to 25 percent of this allotted production quota to another grower. To retain his basic production quota, however, a farmer must plant and harvest at least 75 percent of his allotted production quota at least every other year; otherwise, the Board may cancel his basic quota, and redistribute it among other growers. This regulation apparently is to encourage older or less successful farmers to sell their farms, and may favor eventual consolidation of tobacco land among the most prosperous growers.

Canadian tobacco exporters may experience some loss of sales in the next few years because of the scheduled elimination of the Canadian preference in the United Kingdom in 1977. Leaf production will likely trend downward unless domestic utilization increases significantly. Cigarette output is expected to grow at a moderate rate and leaf producers will likely strike a balance between output and domestic and export needs.

South African Agriculture

Continued from page 4

active. About 36 percent of the economically active black population was in the agricultural sector, but only about 6.6 percent of the whites were thus engaged.

About 90 percent of those economically active in agriculture were black people, but the land used for agriculture and forestry in white areas included about 83 percent of all land assigned to such purposes.

Overall, 28 percent of the economically active population was in the agricultural sector in 1970, but the contribution of this group to the GDP was but 8.3 percent, indicating a low level of productivity.

Underemployment of blacks on tribal lands and traditional subsistence agriculture are problem areas in the country's agricultural sector that provide challenges to achieving balanced agricultural and overall development.

Some view the basic problem as being largely one of small-scale production units, but the achievement of improved, scientific management—especially of land—probably is a more pertinent guideline.

South Africa's official economic development program for 1974-79 (which probably assumed continued high gold earnings) has a target real-growth rate in GDP of 6.4 percent annually. Such a rate would create enough employment opportunities to reduce black unemployment to 4.1 percent.

The agricultural growth rate target at 5.9 percent annually would be considerably higher than the rates achieved in recent years.

The program contemplates that gains in agricultural production will be led by field crops, especially wheat and corn. But the 5.6 percent annual growth rate proposed for gross fixed investment in agriculture is the lowest rate for any sector of the economy.

However, agricultural investment can be expected to increase as farm production and balanced development, plus the country's export earnings from agricultural products become relatively more important to the economy.

U.S. Potato Sales

Continued from page 5

which means that the potatoes must be inspected during the growing season. Countries falling into this category include West Germany, Italy, Norway, the Netherlands, Sweden, and Portugal.

This year, many U.S. producers decided to comply with these requirements because of prospective marketing developments in Europe. (For additional information on European phytosanitary requirements, contact USDA's Animal and Plant Health Inspection Service, Hyattsville, Md. Phone: 301-436-8537)

These new marketing opportunities should help continue the export surge that began with the poor European potato harvest of 1975 and boosted U.S. fresh potato exports in 1975/76 to an estimated 482,000 tons. This is 2½ times the 1974/75 level and includes about 191,000 tons in sales to Europe. Exports of processed potatoes are also gaining rapidly, with growth in fast food outlets abroad encouraging this trade expansion.

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U.S. Wines Get Foothold in Italian Market

U.S. wines in Italy? It is hard to believe, but this largest world exporter of wine may also be a market for U.S. wine. Two U.S. wine producers had a chance to exhibit for the first time in Italy's annual Vini d'Italia show this year in cooperation with the Foreign Agricultural Service. Preliminary results indicate interest in U.S. wines and some possibility of developing an ongoing market among institutional buyers.

During the 8-day run of this September 19-26 show at the Verona fairgrounds, over 150 inquiries were received concerning the possibility of importing U.S. wines, according to Francesca Roberti, the Italian hostess at the U.S. exhibit. She said that importers were particularly interested in wines such as the White Pinot Chardonnay; French Colombard; and rosé wines in carafes. "People think California wine is a novelty," Signorina Roberti says, "but many have asked about the possibility of importing." These have mainly been members of the institutional trade —restaurant owners, importers, agents, and others—although consumers also have expressed an interest, she added.

Indications are that U.S. wines on which the duty—but not transportation —has been paid may sell wholesale in Italy from $2.50 to $8-10 per bottle.

Offered the chance to participate in Vini d'Italia as a result of the U.S. Bicentennial celebration, U.S. wines were the only foreign ones represented in the Italian show. Any toehold in this market, of course, would represent a breakthrough since Italy was the leading world exporter of wine in 1975, shipping about $56 million worth of this product to the United States and $466 million worth in all—a third of total world exports. Wine also accounted for 42 percent of all Italian agricultural exports to the United States last year.

Above, view of the U.S. exhibit at the Vini d'Italia show. Right, visitor takes a close look at the U.S. wines.

*U.S. GOVERNMENT PRINTING OFFICE: 1976 241-410/6 1-3